

During the post-war period of reconstruction the United States has lived up to its responsibilities in keeping with its economic strength by the generous use of large outright grants and to a lesser extent loans, for the rehabilitation of Western Europe, the Middle East and Japan. It has cost the American taxpayers between \$5 and \$6 billion a year, but this policy cannot go on indefinitely. It must come to an end. Both the American taxpayer and the recipient nations are apparently agreed that a more realistic and lasting solution must be found to the so-called "dollar problem".

Hon. Mr. EULER: Is it not at an end now?

Dr. HOPE: No; they are still giving military aid, off-shore purchases and economic aid, enough to balance total payments. Their economic aid has dropped to \$2 billion, but they are increasing their military aid. Now we hear that Eisenhower and Dulles are proposing to stretch out this aid to Europe.

Hon. Mr. EULER: But it is only of a military nature.

Dr. HOPE: Both will be reduced; but they are reducing to \$2 billion their economic aid. I believe it is still standing at \$2 billion for this year.

We pointed out that the solution to the problem is a co-operative project. We have indicated how the countries of Europe can do their part. The responsibility of the United States is to create conditions which will make it possible for the rest of the world to earn its requirements of dollars through normal international trade and commerce.

Economic Stability

The United States is the world's largest buyer of such raw materials as tin, wool, rubber and cocoa which are produced in the sterling area. It is also a large buyer of many other raw materials such as copper, lead, zinc, forest products and oil. Over a period of time that country is going to become a greater buyer. Its own resources are going down and are not keeping pace with its economic development. In time it should therefore become a much more important buyer of raw materials. Changes in the rate of buying of these products by the United States has a very significant effect on the balance of payments of the non-dollar areas of the world. It was largely the violent change in the United States buying of these products in 1950, 1951 and 1952 which caused a rapid improvement in the dollar balances in 1950 and then a sharp reversal in 1951 followed by the restrictions on imports by sterling countries in 1952. Canada has felt that too. Therefore the United States would make a significant contribution to stability in international payments if it would pursue a policy of more orderly purchases of raw materials for stock piling. In the longer view also government action to keep recessions within reasonable bounds would have a significant effect on stability in international payments. Any material drop in United States imports as a result of even a moderate depression would have a serious impact on the economies of many countries whose dollar reserves are low. They are so low today that if the United States encountered a depression and started to curtail her imports, it would mean trouble for some countries.

The United States is now a much more important factor in the total world economy and her responsibility in that connection is therefore greater than it was in 1929, and it was more important in 1929 than it was in 1890. The bigger she gets the more her responsibility grows.

Foreign Investment

Most of the foreign investments of the United States have been made in Canada or South and Central America and in the Middle East. That is mostly for the development of oil. Certainly an expansion of United States investment in the non-dollar area would be of material help in solving the dollar problem